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THE REGENERATION OF HUNGARY: A SURVEY OF POST-WAR CONDITIONS IN THE NEW MAGYAR STATE¹

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letzten hundert Jahre"*

I. INTRODUCTORY

Following the invitation of the Hungarian government, I traveled in Hungary in May, 1921, studying the political trend of the country and its economic conditions. The impressions I have thus gathered I shall put down in a series of informal accounts, under distinctive headings.

The first section is to be an introduction. It proposes to give an account of certain current opinions and, in doing this, to clear the way for the discussion of what is really going on in Hungary.

¹ These articles first appeared in the *Neue Zürcher Zeitung*, June 10-26, 1921. The editors of the *Journal of International Relations* are greatly indebted to Professor Fueter for permission to reproduce them in English, and to Professor Hermann Hilmer of Clark University for translating them.

For detailed information concerning post-war Hungary, readers are referred to *The Hungarian Nation* which began to appear in January, 1921. This Hungarian periodical is published in English under the editorship of Alexander L. Kriszties and Arthur L. Delisle. While strongly Magyar in bias, it is exceedingly informing.—*The Editors*.

Before my departure for Hungary I had been repeatedly warned not to go to that country, for it could only be entered at the risk of one's life, it being alleged that attacks upon private persons and even bomb-throwing were of common occurrence, and that nobody was safe from arbitrary imprisonment. Of course, such warnings came from people who had little political information, and I did not place any faith in such fairy tales. Yet, I wish to emphasize that the real facts contradicted such foolish fears even more than might well have been supposed. There is nothing in the external picture of the life in Hungary, in the country as well as in the capital, to remind one that any abnormal conditions exist or that there still formally prevails a kind of martial law. To be sure, there is still a limit to the free expression of opinions on political matters. With this I shall deal later on in a different connection. But in every day life there is no trace of any harsh military rule. The population, including the Jews, who in Budapest amount to 24 per cent of the inhabitants, do not show any signs of nervousness; and the numerous Jewish firms, which predominate in the principal streets, may sell their goods unhindered; and they are patronized as much as the strike of the buying public which is going on in Budapest, as well as elsewhere, permits. At night time, too, one does not notice any indications of riots or attacks. There is weighing upon the Hungarian people a feeling of heavy oppression because they feel that the conditions of the Peace of Trianon pertaining to territory are unjust and disastrous for Hungary. But there is nothing to indicate that the remnants of the anti-Bolshevik laws are considered oppressive.

To be sure, this is largely due to the fact that the present régime has not only made Bolshevism impossible, but has given opportunity for constructive work. Everywhere may be noticed a lively revival of productive activity. The Hungarians are trying, as well as they may, to adapt themselves to the new economic conditions. While friction with the other states created by the peace makes this task difficult, the Hungarians do not resign themselves to that fatalism which is characteristic of present-day Vienna.

One gains the impression that the working energy in Hungary is taxed to a far greater degree than in Austria. The railroad stations in Hungary do not exhibit the numbers of cap-wearing officials spending their life in idle gossip which is so noticeable in Austria. To be sure, many officials in Hungary who had come back to the mother-country from the surrendered territory had to be employed in the civil service. But it does not look, as it does in Austria, as if the number of railroad officials had been practically doubled. The agricultural land in Hungary, it must be said, can more easily take care of the people willing to work than is the case of over populated Austria, with its overgrown capital. But it looks as if the industrial establishments of Hungary also were devoting themselves with far more energy to production.² In consequence, there has taken hold of the entire population an optimism and a relative contentment of which very good results may be expected, and which contrast strongly with the economic anarchy, or at least, confusion, in other countries which have yet to be consolidated.

An additional factor is that the cost of living is beginning to drop slowly. Of course, it would be foolish to estimate the prices which have to be paid in Hungary in Swiss currency, for the Hungarian receives his salary or his interest in his native money and the only question to be considered is whether his normal income is sufficient to sustain life. To be sure, it must be noted that, as far as the city dweller is concerned (for the farmer lives, as everywhere, quite comfortably), the increase in wages, especially of the middle class, is not equal to the rise in prices, or, that the prices have not fallen far enough as to be in right proportion to the average income. But the difference, at least as far as food is concerned, is relatively small. Frightfully dear, that is, reckoned in Swiss money, almost as dear as with us, are leather goods, clothing and underwear, and also house rent.³ On the other hand, food-stuffs and

² As far as is possible, considering the curtailed consumption of the buying public which is noticeable everywhere.

³ The American Relief, therefore, distributes principally shoes and clothing.

beverages (wine, mineral water, etc.), are relatively cheap, and one is able to obtain, not only anything one may desire, but most of it in abundance. Especially the bread in wheat-growing Hungary is very palatable, and in my judgment is not only better than in Austria, but also better than in Switzerland. It is to be noted furthermore, that prices for clothing and shoes have already fallen, and probably will fall still further, since the buyers show themselves the more reluctant the more the prices begin to yield. Besides, most people have managed to get along with stores laid up during the war, and in the case of participants in the war, with stores from the pre-war period.

The people who crowd the boulevards of the capital make a very elegant impression, excepting, perhaps, for the gipsy women who walk with bare feet. One might sum up as follows: conditions are still difficult, the people are only beginning to recover; but there is a well-founded hope that recovery has begun, and this hope gives wings to commerce and trade, and helps to insure that productive activity will be taken up energetically and successfully.

II. AFTER-EFFECTS OF BOLSHEVISM IN HUNGARY

In order to understand the present régime in Hungary, it is necessary to keep in mind that it is considered by many as a bulwark against the return of Bolshevism, and with it also against Judaism, which is considered by many as being the same thing. The memory of the time when Bela Kun wielded his scepter has remained alive everywhere, and not only in the capital, which of course, has been hit hardest. Many families moan the death of relatives who at that time fell victims to riots or execution, others miss costly or other prized objects to which they had become attached, and are thus continually reminded of the four months in the year 1919 when Bolshevist marauding bands were at large. In general, it must be admitted, to be sure, that deeds of pure destruction were relatively not numerous. The rule of the Bolsheviks in Hungary lasted too short a time to make it possible for their system to bring about all the consequences which resulted in Russia.

Besides, one part of the country was spared from its immediate influence. Even their laws do not show the uncompromising doctrinarianism which characterized their Russian models. Eye-witnesses who had heard Bela Kun address workmen's councils in factories describe him as a man of average intelligence. He and his associates do not seem to have progressed beyond being superficial imitators of the Moscow pattern. Besides, they overlooked the most important factor to which the Russian Bolshevism really owes its success: they did not carry their teaching to the rural districts and they did not break up the large estates. They established themselves, to be sure (similar to Trotsky), in the best hotel of Budapest, and they celebrated in the "Hungaria" their carousals which were anything but free from alcohol, while to the rest of the population the use of alcohol was prohibited under the penalty of death.

Nevertheless, the memory of the Bolshevistic reign of terror is still strong enough to enable the government, that is to say the Christian Socialists, to maintain a number of special laws, apparently without a protest on the part of the majority of the population. For instance, there exists no freedom of assembly. The liberty of the press is limited, in so far as it is subject to censorship, although that name is not used. Every newspaper item, before it appears, must be submitted to the authorities, who have a right to utter a "warning." Newspapers which are not approved may be forbidden to be sold on the street. Many very radical journalists are prevented from returning to Hungary; in Vienna, therefore, there is a large colony of Hungarian exiles (in the Kärntnerstrasse one hears more Hungarian than German) who issue a special newspaper in Hungarian (up to a short time ago, there were even two). These newspapers, as well as similar ones of kindred tenor, as for instance, the *Arbeiterzeitung* of Vienna are prohibited in Hungary. More objectionable might be considered the fact that the prisoners' camp still continues to exist, that is to say, there are still a relatively large number of suspected persons under arrest who have not been con-

victed by a regular court. Voices are not lacking among large groups of people in Hungary, and not only among the Socialists or Radicals, that declare these constraints unnecessary. A radical publicist said to me, and not without a semblance of justification, that it was precisely the Bolshevistic period which Hungary had gone through in the year 1919 that had made the country immune against a further infection from Moscow. The Bolshevik danger, he said, was a mere bogey, that it was very convenient for the government to make such rules, but that they are to be condemned, if only for the reason alone that they make a bad impression upon other countries.

On the other hand, it cannot be denied that the government may give some good reasons for its measures. The censorship serves not only the purpose of internal politics, but it prevents also the publication of articles which might grossly offend neighboring peoples—that there would be no lack of such articles if complete liberty of the press existed, can hardly be denied, considering the present mood of the people in Hungary. To be sure, the prison camp continues to exist, but it is asserted that new arrests are impossible, and that only the regular courts can deal with offences of a political nature.

An impartial observer will have to admit, at any rate, that the limitations to the freedom of speech are not so very serious. At least in parliament the opposition may maintain its course entirely unembarrassed. As far as I have been able to ascertain, the press will reproduce unchanged the very sharp attacks of the representatives of the small farmers as well as of the Jewish faction. Through the medium of the national assembly, then, the grievances of all the parties not represented in the government will be brought to public notice. Even the newspapers which are not permitted to be sold in the streets, may call attention to their existence through advertisements on the public billboards.

It is, furthermore, true that Bolshevism among the Hungarian working men has not died out entirely. The party with which I was travelling visited the coal mines of

Tatabanya, where, during the régime of Bela Kun, a Bolshevist organization with workingmen councils had been established. Although this system was a complete failure at that time, not less than in other places, nevertheless, the less educated element among the workers still believes it and wishes for a return to the times when they were the masters and not the mining engineers.

But it seems to me that this danger is much over-estimated by the governing party. The success of Bolshevism in Hungary was due to very peculiar circumstances, to the after effects of the last war and the presence of demoralized soldiers. These conditions are lacking today. And even if the danger is not entirely past, yet the damage which the prestige of Hungary suffers on account of its restraining measures with the liberal foreign countries, is likely to be greater than the advantages accruing to the country through them. As long as the present laws remain in force, it may always be said with a semblance of justice that Hungary is a land of reaction. This may be stated without hesitation, all the more, since not infrequently even conservative politicians in Hungary represent this opinion and the government itself harbors the intention of discontinuing the camps for political prisoners in the near future.

III. HUNGARY AND ITS NEIGHBORING STATES

The feeling that now moves all Hungarian hearts is not the longing for the king (who is hardly mentioned) nor is it anti-Semitism, although the Jewish problem is touched upon quite frequently, but it is the deep grief over the Peace of Trianon.⁴ Everything combines to keep this wound bleeding. The patriotic pride is outraged because a major country has been made into a minor one and because the members of the nation that formerly ruled are now frequently reduced to minorities in foreign countries. In addition to this, the economic consequences of the new borders are felt by everybody. Hungary has lost through

⁴ See *The Hungarian Nation*, *passim*, especially January-February, 1921.—*The Editors*.

the Peace of Trianon, not only its political position in Europe, but it has also been robbed of its economic independence. Furthermore, there are current reports, which the people like to believe, that even the non-Magyar races formerly living in Hungary, do not like their new allegiances and would prefer to return to Hungary. The Hungarians have a feeling that not only they have been wronged, but also the Saxons, Roumanians, Slovaks, etc., when they were united with Roumania, Czecho-Slovakia, etc.

Let us consider first the economic consequences of the treaty of peace. There is no doubt but that Hungary, formerly a self-sufficient nation, has now become one that is sensitively dependent upon foreign countries. To be sure, it still possesses considerable riches, the possession of which many states of equal size might well envy it, and even if the coal mines have been lost (unless Fünfkirchen is restored), nevertheless, it still possesses in Tatabanya large mines of lignite which will give a large yield for years. The country still produces grain and wine in super-abundance. Hard wood also exists abundantly. Of the indispensable necessities only salt is entirely lacking.

This condition, not so very bad in itself, is made worse, it must be admitted, through the fact that Hungary has not arrived at any regulated commerce with its neighboring states, excepting for an agreement with Austria. The regime of vexatious discriminations is still in force. It is not my concern to decide upon whom falls the main responsibility. It cannot be denied that the Hungarian newspapers emphasize too much the natural complaints of Hungary, justifiable as they surely are, but do not, as a rule, say anything about the counter grievances of the neighboring states. But it is undeniable that the present condition is injurious to all concerned. For instance, the Hungarian farmers obtained a large number of their periodical workmen from territories that have now become Roumanian and Czecho-Slovakian. These countries now keep their subjects at home so that these workers are out of work while the Hungarians have to buy disproportionately expensive agricultural machinery. Worse than these meas-

ures which, after all, can be only temporary, is the fact that large international projects suffer from the mutual distrust. The measures for the regulation of the Danube are falling into decay since the states bordering the river are raising mutual difficulties and the International Danube Commission does not yet function. The Hungarian projects to use the Danube as a source of power encounter the difficulty, (according to the Hungarian reports) that the Czecho-Slovakians do not hesitate to cut down their forests and through that means bring about too high a water level in the river. Furthermore, the other states created by the treaty of peace have hardly an interest in the utilization of the Danube, because they have large hydraulic resources anyway. The hydrographic unit which was formed by the old Hungary is thus destroyed.

The Swiss who hears these complaints cannot agree without qualifications. He fully comprehends the patriotic grief of the Hungarians; perhaps he will also see justice in the claim of the Hungarian politicians who assert that their country is the natural trading ground between East and West, but he knows from his own experience that a country does not perish when it has to depend for many raw materials upon foreign countries. Even now, Hungary, as has been said, is in an exceptionally favorable position in economic respects. In the main, it can feed its population from its own resources; it even possesses coal, and, besides, it has the advantage that it can appeal to the economic interests of its neighbors in its demand for a regulated commercial intercourse and partly for free trade. All experts in Hungary agree that the neighbors with their policy of preventing intercourse across their borders are cutting into their own flesh. The president of the Chamber of Commerce of Budapest emphasized in plain terms that it was in the interest of all concerned to see to it that the present condition, which is also injurious to the neighbors, should be brought to an end.

Should this be brought about there is no reason why Hungary should not witness within even its new borders the economic advancement which has been predicted for

it by those who know. Countries which had to work under far greater difficulties have, nevertheless, maintained themselves and have even been able to grow economically. In fact, measures have already been taken to arrive at a favorable understanding with the neighboring states. It is said that a commercial treaty with Czecho-Slovakia is about to be concluded. One thing that the Hungarians will have to realize is that merely economic agreements will not suffice. The distrust of the neighboring states in the main does not grow out of economic considerations but from political and military ones. As long as there are in Hungary signs of a serious policy of revenge, the other states growing out of the treaty of peace will contribute only very reluctantly their share to the regeneration of Hungary. This is the point where a policy of reconciliation will have to start.

Nobody who knows the present conditions will be able to deny that there exists in the Hungarian people a determined will to restore the old Hungary. A real renunciation of the surrendered provinces cannot be noted anywhere. Nobody speaks in daily intercourse of the former Hungarian districts otherwise than as occupied territories. Yet it is not a question of such moods, but whether the authorities intend to regain by force possession of the lost territories. There can be no doubt but that such intention exists. At present the Hungarian statesmen know quite well that such an attempt would be futile. Hungary is obliged through the treaty of peace to disarm, but her neighbors are permitted to maintain their arms. On the other hand, the task of the economic regeneration is so enormous that all military projects will have to stand aside. Finally, the necessity of arriving at a good understanding with the neighboring states pushes all desire for revenge into the background. At present the most popular statesman of the country, in fact the most popular Hungarian statesman of all since Kossuth, is Count Albert Apponyi, who has just turned 75 years old. He emphasized in the address to our delegation very strongly the faults of the Treaty of Trianon which, in his opinion, was founded on

absolute ignorance and lack of knowledge of cultural conditions, but he declared just as emphatically that there was no intention of plunging into doubtful adventures. He said that the Hungarian government had no other purpose than to free the economic strength of the country from impediments.⁵ Perhaps more characteristic was the enthusiastic applause which burst forth when, at the end of an official dinner in Szegedin, a fellow journalist ended his toast with the wish for a peaceful restoration of Hungary. Such a spontaneous applause broke out that it was apparent that not only the officials but all the responsible elements understand that Hungary must not and will not appeal to force if she wishes to secure consideration of her demands. And this happened in the city of Szegedin (the second largest in the country) which is in a peculiarly aggravating position. On the other side of the river Theiss there are still Serbian troops of occupation, and the reports that from there all inhabitants who dare to cross the middle of the river are fired upon, always stirs up anew the bitterness of the Hungarians against their neighbors.

The incident of this toast is more significant than the fact that in Szegedin the book stores in their windows have whole shelves filled with literature which are marked as pertaining to the unredeemed provinces—*Irredentaliteratur*—and that in Budapest there is a special newspaper devoted to the same topic. All this is part of the natural emotions of a population that can reconcile itself to the new conditions only with difficulty. It does not seem that such manifestations have any practical importance. The idea of an economic federation of the Danube ought not to be wrecked on that account.

IV. CIVILIZATION AND NATIONALITIES IN HUNGARY

To outward appearances it seems as if the question of nationalities in Hungary has been solved definitely by the Peace of Trianon. Hungary formerly was composed of

⁵ For statements of Count Apponyi on Hungarian foreign policy see *The Hungarian Nation*, March-April, 1921, pp. 27-28; June-July, 1921, p. 63.—*The Editors*.

many different language units, among which the Magyars formed only the largest of the minorities. Now it has become entirely Magyar, excepting for the German components in the Western districts. The national problem at present has for the Hungarians practical importance only in so far as they are concerned about their brethren in the surrendered territories. In this respect they endeavor to support the protective measures which have been guaranteed to their countrymen through the treaty of peace.

But the former national policy of Hungary asserts itself beyond this actual concern. Their grief for the loss of so many provinces is very much increased through the conception which the Magyars have of their cultural mission in eastern Europe. This conception they try to support and attempt to prove to the foreign visitor by pointing out all the Hungarian state has done for civilization while it existed unimpaired.⁶ They point out further that all this civilizing work has been exposed to destruction through the dissolution of the old Hungary. The foreign observer is in no easy position if he is asked to form a judgment about this claim of the Magyars. No doubt at first he will be inclined to admit much that the Hungarians claim. Anybody who visits the enormous and well-ordered museum of art in Budapest which shows to the visitor the latest movements in Hungarian painting in the most agreeable and reliable manner, or who inspects the wonderful museum of agriculture, must admit that in this respect the Hungarian capital is equal to any other large modern city, that the old Hungarian state has accomplished excellent work for its educational institutions. A similar judgment might be passed in regard to the field of social endeavor. For instance, in the vicinity of the coal mines of Tatabanya we were shown 900 houses for workmen, each for six families, and the neatly and cleanly arranged hospital as well as the special sanatorium for workmen suffering from disease of the lungs, which have been erected by the mining

⁶ See, for example, the article by Bishop Karácsonyi, in *The Hungarian Nation*, January-February, 1921, pp. 8-12.—*The Editors*.

company. The Hungarians point out, not entirely without justification, that they never have dispossessed, after the manner of the Bismarcks and Bülowes, old settlers and driven them from the soil. They point out that their toleration is proven by the fact that their Slovak and German villages had remained Slovakian and German in spite of their centuries-old allegiance to the Hungarian state. But the impartial observer cannot entirely agree with the Hungarians. He cannot forget that in the old Hungary there was only one national language and that, excepting religious institutions, only the Magyar elementary schools were supported by the state. Also in the universities in the territories of mixed languages, as for instance, in Klausenburg, lectures were given only in the Magyar language. The expenses for the cultural works of which the Magyars boast were, after all, paid for to a large extent from the taxes of non-Magyar citizens. One may attribute these institutions to the Magyars in as large a measure as one pleases, but the fact remains, nevertheless, that they have compelled members of other language units to contribute to works which, for linguistic reasons, were not so easily available for them, and that the different dialects of the Hungarian population were not considered by any means.⁷ And, above all, the foreign visitor will not admit without protest that the surrender of many institutions of culture into other hands would amount to their destruction. He comprehends the sorrow of the Magyars who grieve that their museums, libraries, and theatres threaten to fall into decay because the reduced state of Hungary cannot maintain these institutions in their former proud magnitude. He will, furthermore, willingly admit that the new territorial order very likely will result in a dangerous scattering of energy. The means that formerly could be kept together for one large and capable institution in Budapest

⁷ Among English-speaking writers, Dr. Seton-Watson has, perhaps, done the most to call attention to Magyar oppression of dissident nationalities in Hungary prior to 1914. For a bitter contemporary Magyar attack on Dr. Seton-Watson see *The Hungarian Nation*, March-April, 1921, p. 30.—*The Editors*.

will very likely often be used in an inefficient manner for the maintenance of smaller scientific institutions which can neither live nor die. But if one nation has the right to nationalize cultural endeavor, there is no reason why other nations should not have the same right as the Magyars. When these nations, not suppressed formerly but given lesser privileges, have to struggle at first with considerable difficulties, the fact that the present transitorial condition sometimes brings about undesirable and at times even grotesque results does not prove that it must always be so. It is by no means established, for instance, that the Croats have any less capacity for mental work than the Magyars.

The treaties of peace have, moreover, taken care that the Magyars that have been separated from Hungary will not be exposed to the same policy of nationalization that existed formerly in Hungary. The *Entente*, for instance, has brought it about that in all treaties which consider the South Slavic States, Roumania, etc., guarantees in favor of the minorities have been provided. Hungarians, to be sure, complain frequently and no doubt often with justification, that this clause thus far stands merely on paper, but even here a tolerable condition is likely in time to develop, as soon as the period of national hatred is past. Hungary, moreover, as soon as it has been admitted to the League of Nations and has given proof of its possible intentions, will be able to appeal with success to the allied and associated powers. In case real offenses against these protective measures in the peace treaty become known, the powers themselves have the right to promulgate such protective measures as they believe necessary in favor of the minorities.

Thus far all these conditions are in a state of suspension. It is of course, impossible for the outsider who has not visited these "unredeemed" (*irredentent*) districts to decide in how far there is truth in the assertion of many of the Hungarians that the population of these surrendered territories, especially Slovaks and the people of Siebenbürgen, long to come back to them, or to determine whether it is only a question of individual desires or of a real movement

of the masses. But it is a fact that at least among the Hungarian people many believe firmly in the existence of such territories *irredenta*, and thus it is explainable that one hears expressions like this (to be sure on the part of irresponsible people): "We Hungarians shall never renounce. We shall reconquer the territories taken from us as soon as we have the strength to do it." But it has been pointed out that a large part of the dissatisfaction in regard to the surrendered territory goes back to vexations of an economic nature which the states that have grown out of the treaty inflict upon each other. If once reason gains ground here and if the powers see to it that the provisions for the protection of the minorities are carried out, there is no reason why, within the territory of the former Hungary, the question of nationalities as a germ for warlike entanglements should not disappear.

V. LAND OWNERSHIP AND FARMING CONDITIONS IN HUNGARY⁸

That Hungary may hope to put its monetary system back upon a sound basis, it owes not only to the energy of its inhabitants and the wisdom of its Minister of the Finance, but at least in equal measure to very favorable natural conditions. Although some important industrial establishments have settled in the country, yet Hungary is in no sense an industrial state. It has retained its character as a farming country, owing to its invaluable natural fertility and to its relatively sparse population. It expects, therefore, that it will be able, within a short time, to export again its two principal products, grain and wine, in large quantities. The questions touching agricultural conditions are therefore more important for Hungary than for most other countries.

At present, Hungary still feels the consequences of the loss of territory due to the war. The country lacks the workers who used to come periodically from the sur-

⁸ See also the article on Hungarian Agriculture, by Dr. Grabner in *The Hungarian Nation*, March-April, 1921, pp. 34-35.—*The Editors*.

rendered districts, so that now a farm hand has to be paid 100 kronen for a day's work. In addition, the establishments that work up the products furnished by the farms are in difficulties because they are built upon too large a scale for the present need. I was shown the Concordia Mill in Budapest. This establishment is said to equal the gigantic Mill of Minneapolis in the United States. Anyone who has seen that tremendous factory will perhaps think that such a comparison is rather boastful, but he will have to admit that the Hungarian Mill at least is almost equal to the American one, and he will readily agree that it surpasses the one in Mannheim. A citizen of Switzerland, in particular, may say this, since the Hungarian mill owes its origin largely to Swiss enterprise and inventive genius. Budapest is able to grind 5000 tons of grain a day. The Concordia Mill was rebuilt in 1914 and has been equipped with the latest improvements.

The steam mills before the war were so organized that they ground imported wheat in addition to the grain produced in Hungary. Now they are deeply concerned about the future. I have been told by the managers how valuable territories which used to produce the best Hungarian wheat have been torn from the country. They too, therefore, look for a change of this condition—it is hardly necessary to repeat that this need not necessarily involve the reestablishment of the old borders of Hungary. At present it is a fact that the mills of Budapest are only partly busy and that some are entirely idle.

In spite of these worries, which may, perhaps, be only the symptoms of a transitional stage, Hungary is in a better position than other countries which have to be fed by foreign states. At any rate, the Hungarian peasant shows no trace of a low standard of living. He has gained so much during the war and on account of it, that the lack of farm hands in Hungary is partly due to this fact. For the small farmer has made such profits that he is no longer obliged to work as a day laborer in addition to the work on his own farm, as he had to do before the war. If one sees these vigorous men in their homesteads fitted out with

old fashioned implements of inherited and newly acquired origin, one realizes that this class of the people has no grounds for complaints. They are, moreover, aided by the circumstance that the harvest for the current year promises to be a record one.⁹ A yield of grain is expected such as has not been known since 1914. The bread in Hungary is even now more palatable than in Switzerland, and native wine is superabundant. The fact is that the work in the fields seems hardly to have suffered at all, in spite of all the complaints about lack of farmhands. In the plains of Pest the wheat fields spread out before the traveller for hours without a break. Compared with them the Swiss fields look miserable. On the other hand, it has to be said that agriculture in Hungary is much more important than cattle raising, so that milk has still to be rationed, and in the capital may not be freely sold.

The important problem for Hungary for the next decades will be the adjustment of the country to the new economic conditions. Hungary belongs to that group of the countries involved in the war, in which, differing from Czecho Slovakia, the South Slavic States, Roumania, etc., large estates still prevail. Church property, as well as estates, belongs to the private owners. In Hungary the large estates still occupy a third of the soil. Besides, entailed estates still continue to exist. More than half of the large estates, of which, to be sure, much consists of forests, etc., is thus "tied" up. The Minister of Finances, Hegedüs, has realized that this will have to be changed. It will be pointed out that among the projected taxes of this bold reformer there is the provision that holders of large landed estates will have to pay the 20 per cent which the state collects of all property as a war tax in the form of land. But it is doubtful whether the peasants will be satisfied with that. The example of the neighboring states is likely to make a deep impression, and the war has strengthened the peasants economically so much that they will be quite able to make an attack upon the large estate

⁹ For crop acreage statistics see *The Hungarian Nation*, June-July, 1921, pp. 79-80.—*The Editors*.

holders. At any rate, it is a fact that in the national assembly the party of the small farmers frequently clashes with the representatives of the large landed proprietors. Of course, these quarreling brothers make common cause as long as the fight is against Socialists and Jews, but the day may come when the difference in aims may lead to separation. Possibly, a coalition may be formed between small farmers and democrats. This might be avoided if the great landlords change their attitude before it is too late. For the sake of Hungary it is to be hoped that such a peaceful solution will come to pass.

On the other hand, it cannot be denied that a change in the composition of the ruling class will for a while encounter great difficulties. Education in the rural districts in Hungary is by no means neglected. I had occasion to visit a typical village school in which a boy named the rivers and lakes of Switzerland and pointed them out on a map. The schoolhouse and the teachers made an excellent impression. The shining eyes of the children and the intelligent, and in some cases almost finely cut, features of the boys and girls hardly admitted the thought that these were merely village children. Our Hungarian conductors remarked on this occasion, perhaps it was somewhat overdrawn but with a kernel of truth, that the Hungarian peasant children knew more about the geography of other European countries, indeed even about Africa, than did the delegates of the *Entente* who had informed themselves so poorly about the geographical conditions of Hungary. But in spite of all this, it is clear that the Hungarian statesmen from the class of the holders of large landed estates can be replaced only with difficulty as long as this education of the country people, in itself certainly remarkable, does not form the foundation for a higher education. By this is meant not so much education by means of the schools, as participation in public life and administration. In other words, out of the rural population there must grow up a middle class, and the children of the peasants must take up the liberal occupations which thus far have been largely the realm of the Jews. If this does not

come to pass, then the only expedient would be the formation of an alliance with the radical urban parties. But, as a consequence, the peasants would have to make common cause with members of the Jewish opposition parties who are not exactly congenial to them.

Thus we are dealing with complicated factors, which make it appear as if the régime of statesmen of the old Christian-national type cannot be shaken for some time. In spite of that, there are many signs which indicate that the members of the ruling class are willing to make concessions to the peasants. By doing this they would strengthen their position so much that they would have to fear no opposition on the part of the radical-revolutionary parties. In that case, it would seem that the time has arrived for doing away with the last remnants of martial law and to return again to constitutional liberty.

VI. THE REORGANIZING GENIUS OF HUNGARIAN FINANCES

The most original head in the Hungarian cabinet is without doubt the Minister of Finance, Roland Hegedüs. He is a man in the prime of life with expressive and intelligent features. Hegedüs is wrapt up in his work and lives for it, and he has the advantage of having come from other than bureaucratic occupation or purely political activity. He has been a bank director for many years. He knows the practical side of his office and is not burdened by traditions. He is as energetic in making plans as in carrying them out.¹⁰

Besides he has been a professor, and this helps him greatly in bringing his plans before the public, as he did in a long lecture before the delegation of Swiss pressmen. He has retained the ability to develop his thoughts logically in an informal speech—to stick to an outline while improvising details. Yet his manner of speaking is not at all academic and dry. His presentation is illuminated by jolly meta-

¹⁰ See also *The Hungarian Nation*, June-July, 1921, pp. 78-79.—*The Editors*.

phors and witty remarks. One remembers that he is a nephew of the Hungarian romanticist, Maurus Jokai, and it seems fair to say that he has received through his mother something of the artistic vein of his uncle so noted for his phantastic imagination. But, in the case of the nephew, this jolly imagery is only by-play on the basis of what he himself calls a Calvinistic stubbornness. For Dr. Hegedüs is descended from a Protestant family of Siebenbürgen.

The financial program of the Minister of Finance reminds one, in fact, of Calvinistic thought in the radical consequence of its logic. It compromises just as little internally as externally. Externally it admits of only one interpretation because Hegedüs avoids the slightest reminder of a policy of revenge, not only in words but also in fact. Hungary, he says, aims at nothing else but to pay its creditors. He has no political aims. He assumes that the world war has been the last war: "We want nothing of the other states, but that they let us work. I, a friend of Tisza, was formerly a man without worries. But on the 4th of August, 1914, I became a pessimist, for I knew that the war was lost for the Central Powers when England declared war. Upon the result of the war against Serbia one might look with optimism. But that England would never let up after it once had taken the matter in hand, was for me a foregone conclusion. Only the latest happenings made me an optimist again. I resigned my fine position with the Hungarian Bank of Commerce in order to help my country. For Hungary will rise again through its work." Hegedüs did not deny that, as he is constituted, he has opinions different from his colleagues in the cabinet. He speaks of himself as "perhaps the only liberal in Parliament." But he knows that his colleagues will help him nevertheless to carry out his program. Within a year he hopes to have his project accepted.

Hegedüs has four aims in view. The first aim is to discontinue the printing of paper money. "The unlimited increase of paper money acts like a creeping disease upon the state, and the money thus loses entirely the function of a measure of value." Hegedüs is conscious that in bringing

this about he has performed a moral deed which ought to be appreciated especially in the creditor states. "Since March 3 of this year no additional banknote has been printed. If the exchange of the Hungarian kronen yields somewhat as happened to be the case at the bourse in Zürich, that is important only for the moment." There are still 14 billion kronen in circulation. Because he had always stood for deflation, separation from Austria had to be accomplished.

An attempt to remedy matters by means of a socialistic system of taxation Hegedüs believes to be futile. He has arrived at this conclusion to no small degree because of the Bolshevik revolution. The four weeks during which he was imprisoned he used in reading Marx. There it became clear to him that a state governed according to *Bourgeoisie* ideals cannot stand experiments with socialistic taxation.

The second aim is the establishment of a regular budget. He hopes to be able to submit a new budget by the middle of June, according to which the receipts of the state will be doubled. The introduction of indirect taxes was unavoidable. For nothing could be done with the declaration of incomes for tax purposes because the people even with the best of intentions, could not tell how much they would have to declare. For this reason he has planned a sales tax which was to yield 18 billion kronen. With that he hoped to bring it about that all current expenses would be met from taxes. "I pursue, then, the opposite policy from that which Austria follows." The expenses of the different secretaries of state have been reduced. It may be remarked on this occasion that the Hungarian State no longer furnishes the undersecretaries (*Staatssecretären*) in the foreign office with automobiles, only the Secretary of State himself is entitled to one. "The entire administration of the state must be placed on a reduced diet."

As a third aim in his program the Minister of Finance had it in mind to make the system of taxation subservient to the *Social Idea*. In this connection he pointed to Switzerland as a model. Thus, the taxes are to be reduced in accordance with the number of children in a family. The fourth and last aim is to stabilize the value of the currency.

Hegedüs is represented by the funny papers as a magician, and the satirists have him announce his tricks with "tam tams." He smiles at these characterizations. Just as the sleight-of-hand performer does not venture to conjure up a glass of water from his hat, without preparing the public for it with a long speech, so he would not do without this propaganda. "Just like such a noisy performer I make speeches everywhere and write articles in order to remind the people that they will have to pay taxes, which they seemed to have forgotten entirely." Unpaid taxes are forcibly collected. Above all, it is important that the tax on profits made from the war is extended to the farmers. Hegedüs, on that account, used to be visited by deputations from the rural districts. But such visits have become more rare since he regularly looked up the tax declarations of the petitioners and to their great surprise confronted them with these documents. The Minister of Finance continues:

It is my intention to issue real banknotes, that is, paper money that is covered. Of course, this new article, too, has to gain currency. But I have already accomplished this much, that the farmers give more credit for my new notes than for the old ones, (the ratio is 10 to 9). I shall then go with my new budget to the head commissioner of the *Entente*. Hungary was, as you know, formerly deeply in debt to both France and England. All the interest due, which has not been paid during the last years, shall then be paid, although Hungary has suffered enormous losses (120 billions have been taken by the Rumanians alone). I hope thus to obtain the good will of the *Entente*.

In order to raise the amount needed, a tax on property has been chosen.¹¹ The state has lost its credit in the conquered

¹¹ The following citation from *The Hungarian Nation* (May, 1921, pp. 58-9) describes in more detail this important Hungarian property tax.—*The Editors*.

"In order to effect a consolidation of Hungary's financial situation Mr. Hegedüs, the Minister of Finances, has submitted his extensive programme to the National Assembly. To ensure the realization of that programme the National Assembly has enacted several laws already, the most prominent of which is the act dealing with the personal property tax, which was carried into effect on May 10, 1921.

In conformity with this law a tax will be levied on all deposits of Hungarian subjects in the savings banks, on their accounts current, and money deposited in safes; on shares of inland companies and coöperative societies and on foreign moneys and stock. (The deposits As. C. and safe deposits

countries. It has promised victory to its citizens; it has not kept its word and has thus deceived them. If the declarations are made honestly, five to ten years ought to be sufficient to reestablish the credit of the state. Along with it, freedom of intercourse will have to be established. Especially there must be freedom of export, of grain as well as of other things. Only the free air kills the noxious germs. The burden must be carried, first of all, by those who have done nothing in the war. All men between 18 and 50 who have not served in the army (and the families of those who have not served) will have, so to speak, to do service for those who were crippled in the war. But he who has lost a son in the war will have to pay nothing in this regard. All foreign creditors shall be paid, with the exception of those who have loaned money at the time of the rule of the Bolsheviks. The Hungarians will have to give up 20 per cent of their property.

Hegedüs mentioned in this connection that he not only planned his laws, but edited them also, so that they were made after one pattern. Every stock company was ordered to increase its capital by 15 per cent and to surrender the new shares to the state without compensation. "That is the best means to get hold of hidden reserves." According to Hegedüs, this system will finally be adopted in all other

declared in Hungarian currency and below 1000 crs. are exempt from taxation.) The property tax to be levied is 5% on amounts from 1000-10,000 crs., 10% from 10,000-50,000 crs., 15% from 50,000-100,000 crs., and 20% on any amount exceeding 100,000 crs.

The taxation on deposits As. C. and safe deposits declared in foreign currency is 20% quite regardless of the amount in question.

Emigrants from occupied territories, disabled officers and soldiers and heirs to those having died in battle pay half the tax if their personal property amounts to less than 100,000 crs. Deposits in savings banks under assumed names, letters, or numbers are subject to a taxation of 20%. All personal property as above classified is liable to the property tax according to the status existing on December 19, 1921.

Joint stock companies have to pay 15 per cent on their capital paid up, either in cash or by issuing new shares to the same amount and assigning them to the treasury. Coöperative societies will be taxed with 5 per cent on capital not exceeding 4 million crowns, with 10 per cent up to 10 millions and 15 per cent on all capital above 10 millions.

Foreign values are subject to a general taxation of 20 per cent.

According to §58 of the law the income accruing from this tax is not to be used for covering the state's expenditure but must be reserved for paying off the country's debts.

A law dealing with a tax to be levied on commodities and real estate will shortly be submitted to the House."

countries. Stock companies which are in the exclusive possession of families, who perchance evaluate their property too low, will be asked to sell out to the government at the price which they have set upon their property in their declaration. Of savings accounts, likewise, 20 per cent will have to be surrendered to the government. Large accounts will be taxed higher and at a progressive rate. Accounts under 1000 kronen will not be taxed. Holdings in foreign properties must likewise be declared. Those who make false statements in their declarations will be liable to imprisonment. This provision has already become law.

Hegedüs spoke of the impression it had made on him when he was in the United States twenty-seven years ago and saw there the Hungarians who had had to emigrate on account of the large estates in Hungary. Since that time he has written every year against the entailed estates. If the large estates are not cut up, the emigration will set in anew. The basis for the taxation of landed estates will be the rent. The small farmers may pay in produce (grain) or in the shape of mortgages (the state will issue mortgages at 5 per cent); the farms of medium size may pay in money or land; the holders of large estates, however, must pay in land. They must give up 20 per cent of their holdings of land. This land will then be distributed among small farmers.

With this law will be connected a new tax on war profits. Whoever has more than a million kronen, will have to prove that he owned that sum before the war. Otherwise, he will have to pay at double the rate. On the other hand, the law provides that these taxes may be paid in war loans which will be credited at par. Inheritance taxes will be raised at a rate of from 1 per cent to 40 per cent.

Hegedüs has obtained the assurance that parliament will be dissolved if it obstructs his plans. In return, the administration saves as much as possible. "Not a penny will be paid for soldiers. The Hungarians must live first before they maintain an army. To be sure, the police force had to be increased (in Budapest by 4000 men).

But that is necessary because the people have learned during the war how to kill and to steal. If there is no order, the credit of the state will suffer."

These are the most important features of the program of the Minister of Finance of Hungary. One cannot deny that his aims are large and that he possesses the broad outlook of a statesman.

VII. THE PROBLEM OF THE KING IN HUNGARY

The trip of Charles of Hapsburg at Eastertime has not roused the question of a king for Hungary from its slumbers. On the contrary, it has only shelved it more definitely. Even before that trip it was the intention to leave this question for the time when the internal and external political conditions should have become stabilized. Now the objection which the theatrical *coup* of the former king aroused among the neighbors of Hungary has made it plain to everybody that it would be utter folly to restore this Hapsburger at this moment. Hungary needs, as has been pointed out, the economic aid, or at least the coöperation of the neighboring states, and her statesmen are too wise to offend them through an act which is entirely unnecessary.

It would be an unnecessary act, for one cannot say that anybody in the country misses the king at all, or any king for that matter. It is not difficult, however, to understand the reasons which led to the attempted re-establishment of the monarchy in Hungary. The republic of Count Karolyi had made itself hated because Bolshevism sprang from it; a new experiment with the modern form of state seems to threaten a similar upheaval. Furthermore, the king symbolized above all, the link with the old history of the Magyars. The crown of Stephen represented to the Hungarians, not so much the rule of the Magyars in Hungary, as the existence of the former great Hungarian state—of the Hungary as it existed before the war. The thought lives in the sub-conscious mind that if Hungary in its internal affairs clings to its traditions, it may also in

its external relations demand the restoration of the old hallowed borders.

Thus the king is for the Hungarian above all a symbol, and in saying that it is also pointed out that it is not at all necessary that a real person be invested with this office. To this it must be added that there existed at no time less than just now the need for a leader who is a half stranger to the country. The magnates who direct the course of the government may place their own class interest all too much in the foreground, just like other politicians. But nobody will deny that they possess political experience which is at least equal to that of the young predestined monarch. A king can only interfere with their government, but not assist it.

The popularity of the dictator Horthy rests to no small extent upon the fact that he seems to be expressly created for this merely symbolical rôle. He has a sympathetic personality, an upright character, and knows how to say the right word and does not make himself conspicuous. He carries out the representative functions of a head of a state before foreign guests to perfection, but he avoids every vestige of princely appearance and does not even live in the royal apartments in the castle at Ofen, which is now entirely empty. He is in his behavior and, very likely also in his ways of thinking, above all a soldier, and it is said of him that he is insufficiently informed about many, even important, details of the administration of the state. It is known that he must not be expected to do a dishonorable or dishonest thing. But, then, it is not necessary that the head of the state should have knowledge of everything. If the time for restoring the king should ever come, it is safe to say that Horthy will not offer the least resistance, but will, as a soldier, retire just as loyally from his post as he has occupied it.

Thus, nothing has been settled as yet. It may be said that not even the question has been definitely solved whether Charles or somebody else is to be the future king.